

Scarsdale Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
June 3, 2019

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Scarsdale Union Free School District
Scarsdale, New York

We have performed the procedures described in the following pages, which were agreed to by the Scarsdale Union Free School District (District), on extraclassroom activities of the District during the period of July 1, 2017 through December 31, 2018.

The District's management is responsible for administering these activities.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's extraclassroom activities. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP

June 3, 2019

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended December 31, 2018

Introduction:

This report is organized as follows:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED Portal.

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended December 31, 2018

EXTRACLASROOM ACTIVITIES

Background:

We performed a review of the District's extraclassroom activities that included meetings, discussions and testwork to determine the effectiveness of the area in complying with policies and procedures. The District has extraclassroom activity funds being accounted for at each of the two secondary schools: the High School (HS) and the Middle School (MS).

The New York State Education Department (NYSED) has developed a manual for recommended practices related to extraclassroom activities titled *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*. This manual provides recommendations for systems and procedures to be used to ensure that extraclassroom activities are properly administered.

The club advisors are Board approved for all bona-fide clubs. Bona-fide clubs have a club charter and student officers. The HS Central Treasurer and the MS Central Treasurer are involved in the day to day accounting for extraclassroom accounts that includes preparing deposits, recording deposits, preparing purchase orders, writing checks and recording expenses. A monthly bank reconciliation is prepared by the HS Central Treasurer then sent to the Business Office for review and approval by the District Treasurer. Additionally, the HS Central Treasurer prepares quarterly reports to the Board of Education with the activity of each club and club balances. We found that the extraclassroom activities of the MS have not been provided to the Board as required. (Refer to the findings section below)

Summary:

We note that the District has established good practices related to the extraclassroom activities including standard receipts and disbursement forms with proper signatures, preparation of the monthly bank reconciliations and statements by the central treasurers, safeguarding funds received by the central treasurers, and approvals of fundraisers by appropriate staff. We did find opportunities for improvement related to extraclassroom activities as a result of our engagement. These items are described further in the findings and recommendations sections below.

We also worked collaboratively with the HS Central Treasurer to prepare written, formal procedures related to key processes regarding the extraclassroom activities. This includes the depositing of funds, disbursement of funds, monthly reporting, quarterly reporting, sales tax preparation and annual rollover process.

Procedures:

Our procedures related to extraclassroom activities, as per the engagement letter dated July 1, 2018, were as follows:

- Review Board policies and District procedures related to the extraclassroom activities.
- Interview central treasurers and District personnel responsible for extraclassroom activities regarding policies, procedures and systems in effect and document the strengths, weaknesses and key control attributes for testing.
- Review the extraclassroom activities during the period as follows:
 - For student clubs – select the 5 most active clubs and review for compliance with Commissioner of Education Regulation (CR) §172.1 and the NYSED manual titled *The Safeguarding, Accounting and*

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended December 31, 2018

Auditing of Extraclassroom Activity Funds (e.g., student officers, proper forms and accounting records).

- For student clubs – interview advisors from 5 active clubs (3 at the HS and 2 at the MS) to ensure that they are familiar with the laws and guidelines of CR §172.1 and *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* manual and determine if there are proper controls over the clubs' transactions.
- For cash disbursements from the activity funds – select 25 payments from randomly selected clubs to ensure proper approvals, adequate supporting documentation and appropriateness of each expenditure.
- For cash receipts – select 25 receipts from randomly selected clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections (i.e., receipt books). If the deposit relates to a fundraising event, ensure that the event was properly approved in advance by an administrator (e.g., school principal), the funds were submitted timely to the Central Treasurer and the deposit included appropriate supporting documentation (e.g., accounting for the number of tickets sold).
- For fundraisers – review the procedures related to fundraisers and determine if there are any weaknesses or opportunities for improvement related to these processes.
- Identify the fundraising events that have occurred during this period to the greatest extent possible (e.g., through inquiry and review of club records, school papers, local media print, etc.) and determine if the funds were appropriately deposited with the Central Treasurer.
- Assist the District with developing written, formal procedures related to key processes performed by the central treasurers and District staff responsible for extraclassroom activities.

Findings:

Review of Board policies, District procedures and interviews with the central treasurers and District personnel responsible for extraclassroom activities noted:

- Although the District has *Board Policy #5252 – Student Activities Fund Management*, this policy does not address such items as the responsibilities of the Central Treasurer and the club advisors or procedures for transferring funds when a club has had no activity for a period of time. The District's practice has been to close out a club after 2 years of inactivity. The funds are moved to Student Government, unless otherwise directed by the club advisor and the student treasurer. Additionally, there are procedures for the Student Government Advisors to reach out to each club after one year of inactivity to inquire if the club plans to have financial activities in the near future.
- The procedures related to fundraisers and cash receipts could be improved, since we noted:
 - There is no formal process in place to follow-up on deposits related to recent events that have occurred. We found that there is an online calendar for HS students to request to hold a fundraising event; however, there is no comparison from the events that are posted on the calendar to the funds received by the HS Central Treasurer.
 - The cash receipts from tickets sales for the drama production that took place in mid-January 2019 were not deposited until February 15, 2019.
 - The clubs have fundraisers including pizza sales and bake sales during the lunch hours; however, we understand that there are instances when these events take place without the supervision of a club advisor and there is a delay in the counting of those funds with the club advisor.

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended December 31, 2018

- There was a fundraiser that was held at the local mall during a weekend in February 2019 and there was a delay in the submission of those funds to the HS Central Treasurer.
- There is no review by a second person of the Treasurer's pre-numbered receipts issued to ensure that there are no breaks in the sequence. Additionally, the Treasurer's receipt number is not recorded in Quicken with the respective transaction related to such receipt. During our fieldwork, we reviewed the receipts issued to date for the 2018-19 school year and did not find any breaks in the sequence.
- Procedures for reviewing voided checks and check sequences could be improved. The Central Treasurer is responsible for processing all checks and voided checks. A second person does not sign-off on the voided checks or confirm there are no breaks in the sequence of checks. During our fieldwork, we reviewed the checks issued to date for the 2018-19 school year and did not find any breaks in the sequence and where there was a voided check, the check was attached to a form.
- There are infrequent fundraisers at the MS where the funds are not submitted to the Central Treasurer or included in the extraclassroom activities. We understand that the financial activities related to these events are handled by the teachers and we were informed that these funds are provided to charitable organizations. This results in a lack of oversight and controls over the funds involved with these events by circumventing the protocols that would be followed if the finances were handled through the extraclassroom activities accounts.
- The HS prepares and submits quarterly statements to the District Clerk in the Administration Office for inclusion on the Board agenda in compliance with CR §172.3(b) that requires the Board to receive a quarterly Extraclassroom Activity Fund Report rendered by the central treasurers. However, the activities of the MS are not reported quarterly to the Board as required.

Review of the selected 5 most active clubs and interviews with their advisors found:

- *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* manual issued by the NYSED requires that clubs have student officers and student involvement in the activities. We found that the clubs in the extraclassroom activities fund are bona-fide where there are student officers and student involvement in the clubs.
- The timeliness of submitting funds to the HS Central Treasurer could be improved. We were informed that receipts, in some instances, are taken home by students or club advisors to be safeguarded until they are counted and submitted with the HS Central Treasurer. We also understand that there are times when parents assist with the handling of funds from an event.
- There were 3 out of 4 HS Club Advisors who stated that their club does not keep their own financial records. Further, we found that there is no formal process for the HS Central Treasurer and the clubs to confirm that the club's records agree with the HS Central Treasurer's records. There is an informal process where the club advisors inquire regularly with the HS Central Treasurer for balance information; however, there is no formal sign-off by the activity advisor on the account balances. We also noted that profit and loss statements are not prepared for large fundraising events such as the drama productions.
- We were informed that there were a few instances when parents made purchases for the extraclassroom clubs and the need arose for requests for reimbursement. However, we noted that there are no formal, written instructions provided to the parents describing the documentation required to be submitted in order to be reimbursed.

Review of the selected 25 payments (20 from the HS and 5 from the MS) totaling \$67,614 from various clubs to ensure proper approvals, supporting documentation and appropriateness of expenditure noted:

- There were 2 instances where reimbursements were made to a club advisor; however, a detailed receipt was not attached to the payment request form only a receipt with the total amount paid was submitted.

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended December 31, 2018

The first instance was for the purchase of pizza for resale for the Veteran's Club and the second instance was for dry cleaning of costumes for the drama production.

- There were 2 instances where the check request forms were signed by a co-advisor for a reimbursement that was related to this employee. Although the other co-advisors were aware of these transactions, the preferred practice would be to require the co-advisors to approve the forms instead of the co-advisor who is being reimbursed.

Review of the selected 25 receipts (20 from the HS and 5 from the MS) totaling \$77,083 from various clubs to ensure proper documentation, accuracy of totals and appropriate controls over collections found:

- There were 6 instances where the HS deposit form was not fully completed as there was no breakdown of the items sold, only the selling price was recorded. We were informed that in some instances it is difficult to record the number of items sold (e.g., bake sales).
- There were instances where deposit forms were sent to the HS Central Treasurer without the club advisor's review and signature. In these instances, the Central Treasurer emails the club advisor to confirm the deposit amount and attaches the documentation to the deposit. Additionally, the club advisor then signs the form at a later date, but we were unable to determine if the advisor had counted the receipts with the student prior to submitting the funds to the HS Central Treasurer.
- There was 1 instance at the MS where the deposit was supported by a statement from the yearbook vendor just noting the amount, instead of the vendor providing the club with a detailed commissions report to substantiate such amount.

Review of the procedures related to fundraisers and identifying the fundraising events that have occurred during this period to the greatest extent possible to determine if the funds had been appropriately deposited with the Central Treasurer noted:

- There are procedures that require all fundraisers to be pre-approved by a school administrator, but we have been informed that this approval is only verbal at times. A preferred practice is to memorialize this approval in writing via an email, which is the other method used to approve fundraisers.

Assisting the District with developing written, formal procedures related to key processes performed by the central treasurers and District staff responsible for extraclassroom activities found:

- The HS Central Treasurer had notified the District about their intent to retire on June 30, 2019, so we worked collaboratively with this employee because this is an important role with key responsibilities for extraclassroom activities. We developed 7 written, formal procedures during the engagement and the plan is for the HS Central Treasurer to develop additional ones prior to their retirement.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to extraclassroom activities:

1. Update *Board Policy #5252 – Student Activities Fund Management* to include the responsibilities of the Central Treasurer and the club advisors as well as documenting the District's practice of closing out a club after 2 years of no activity and transferring the funds to Student Government, unless otherwise directed by the club advisor and the student treasurer.
2. Develop procedures to require all fundraising events be recorded on the online calendar and to have the Central Treasurer compare the deposits to the calendar to ensure that all funds have been submitted.

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended December 31, 2018

3. Establish procedures to ensure that there is proper supervision of students at fundraising events involving the collection and monitoring of funds, particularly when cash is collected. The receipts should be safeguarded at the school district after the fundraising event in a timely manner. Additionally, all deposits should be counted by the club advisor and the club treasurer together and both should sign-off on the Deposit Form, prior to submitting the deposit to the HS Central Treasurer on a timely basis.
4. Develop procedures to have an employee (e.g., Assistant Principal) review the receipts prepared by the Central Treasurer to ensure that all sequential numbers are accounted for. Additionally, the Central Treasurer should include the receipt number when recording the details of the deposit in Quicken.
5. Develop procedures to have an employee (e.g., Assistant Principal) review the checks prepared by the Central Treasurer to ensure that all sequential numbers are accounted for, including the voided checks.
6. Strengthen controls related to receipts at the HS, particularly cash, at the club level since the collection of funds has a high level of inherent risk. We recommend that the deposit forms be completely filled out with the details of the deposit and any supporting documents should be attached to the deposit form (i.e. class lists, listing of tickets sold, etc.) and be reviewed and compared to the deposit form by the Central Treasurer to ensure that the deposit is complete. When appropriate, a profit and loss statement should be prepared to document the financial results of the event.
7. Establish procedures to require each club to maintain a financial ledger and confirm in writing that ledger with the HS Central Treasurer at least once during the year and at the end of the year.
8. Develop procedures to require the co-advisor or other advisor prepare and sign-off on the standard payment request form when there is a reimbursement to be paid to an advisor.
9. Establish procedures at the MS to require all fundraisers be handled through the extraclassroom activities and eliminate any fundraising events being managed by teachers on their own. We recommend that all fundraisers go through the Student Organization Club for proper oversight and protocols that includes using the MS Central Treasurer. We understand that the Principal planned to implement this recommendation after we discussed this concern during our fieldwork.
10. Develop procedures at the MS to prepare and submit quarterly statements to the District Clerk in the Administration Office for inclusion on the Board agenda, similar to the current process for the HS. This would ensure that the District is in compliance with CR §172.3(b) that requires the Board to receive a quarterly Extraclassroom Activity Fund Report rendered by the central treasurers at the HS and MS.

